

TOWN OF KILLIAN, LOUISIANA

**BASIC FINANCIAL STATEMENTS,
INDEPENDENT ACCOUNTANTS' REPORT, SUPPLEMENTAL SCHEDULES
AND INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**

YEAR ENDED JUNE 30, 2006

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 11/22/06

TOWN OF KILLIAN
Louisiana
ANNUAL FINANCIAL REPORT

As of and for the Year Ended
June 30, 2006

TABLE OF CONTENTS

INDEPENDENT ACCOUNTANT'S REPORT	1
REQUIRED SUPPLEMENTAL INFORMATION (PART I)	
Management's Discussion and Analysis	2-5
BASIC FINANCIAL STATEMENTS	
Government Wide Financial Statements	
Statement of Net Assets	6
Statement of Activities	7
Fund Financial Statements	
Governmental Fund	
Balance Sheet	8
Statement of Revenues, Expenditures, and Changes in Fund Balance	9
Reconciliation of the Fund Balance and Changes in Fund Balance to Net Assets and Changes in Net Assets	10
Proprietary Fund	
Statement of Net Assets	11
Statement of Revenues, Expenses and Changes in Net Assets	12
Statement of Cash Flows	13
NOTES TO THE FINANCIAL STATEMENTS	14-22
REQUIRED SUPPLEMENT INFORMATION (PART II)	
Budgetary Comparison Schedule – General Fund	24
Schedule of per diem	25
AGREED-UPON PROCEDURES	
Independent Accountant's Report on Applying Agreed-Upon Procedures	26-29
Louisiana Attestation Questionnaire	30-31
Summary Schedule of Prior Year Findings	32
Management's Corrective Action Plan for current Year Attestation Findings	33

Independent Accountant's Report

November 2, 2006

The Honorable Mayor Kathleen Abels
and Members of the Board of Aldermen
Town of Killian, Louisiana

We have reviewed the accompanying basic financial statements of the Town of Killian, Louisiana, as of and for the year ended June 30, 2006. These financial statements are the responsibility of the Town of Killian's management.

Our review was conducted in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards* issued by the Comptroller General of the United States of America. A review consists principally of inquiries of Town personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

In accordance with the *Louisiana Governmental Audit Guide* and the provisions of state law, we have issued a report dated November 2, 2006, on the results of our agreed-upon procedures.

The Management's Discussion and Analysis on pages 2 through 6, the budgetary comparison information on page 24, and the schedule of per diem on page 25 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. Such information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but was compiled from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

Respectfully submitted,

Dean and Dean, CPA's

TOWN OF KILLIAN
MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and for the Year Ended June 30, 2006

This section of the Town of Killian's (Town) annual financial report represents our discussion and analysis of the Town's financial performance for the year ended June 30, 2006 including comparisons with the prior year.

Please read this document in conjunction with the Town's financial statements.

FINANCIAL HIGHLIGHTS

1. The Town's assets exceeded its liabilities at June 30, 2006, by \$646,416 (net assets) or an increase of \$50,575 as a result of this year's operations. The unrestricted portion of the net assets was \$69,661 at June 30, 2006.
2. The Town had unrestricted cash of \$69,548 at June 30, 2006, which represents an increase of \$46,986 from prior year end.
3. The Town had land, buildings, furniture and fixtures, and machinery and equipment assets net of accumulated depreciation of \$575,032 on June 30, 2006. Depreciation expense for the year totaled \$32,898.
4. The Town had capital asset purchases of \$16,441 for the year ended June 30, 2006, which represents a decrease of \$5,336 from the prior year.

OVERVIEW OF FINANCIAL STATEMENTS

These financial statements consist of three sections – Management's Discussion and Analysis (this section), the basic financial statements (including the notes to the financial statements), and required supplementary information.

BASIC FINANCIAL STATEMENTS:

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provided information about the operations of the Town as a whole and present a longer-term view of the current Town finances. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets and the Statement of Activities report the Town's net assets and changes in them. The net difference between the assets and liabilities measures the health of the Town's finances. Over time, increases or decreases in the Town's net assets are one indicator of whether its financial health is improving or deteriorating.

Town of Killian
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2006

Fund financial statements include the governmental funds Balance Sheet and Statement of Revenues, Expenditures and changes in Fund Balance. All of the Town's basic services are reported in the governmental fund, which focuses on how money flows into and out of that fund and the balances left at year end that are available for spending. This fund is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short term view of the Town's general government operations and the basic services provided the Town. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's operations as well as what remains for the future expense needs. The basic governmental fund financial statements can be found on pages 9 through 17 of this report.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, there are differences in the information presented for governmental funds and for governmental activities in the government-wide financial statements. Review of these differences provides the reader of the financial statements insight on the long-term impact of the Town's more immediate decisions on the current use of financial resources. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The reconciliation can be found on pages 11 and 14 of this report.

The proprietary fund accounts for water utility services provided by the Town to its customers. Proprietary fund statements provide the same type of information as the government-wide financial statements, but the fund presentation provides more detail. The basic proprietary fund financial statements can be found on pages 15 through 17 of this report.

Financial Analysis of the Entity:

STATEMENT OF NET ASSETS				
	2006			2005
	Governmental	Business-		
	Activities	Type	Total	Total
Current and other assets	\$ 82,109	\$ 24,618	\$106,727	\$ 59,574
Capital assets (net)	85,436	489,596	575,032	591,489
Total Assets	167,545	514,214	681,759	651,063
Current liabilities	3,097	30,621	33,718	53,522
Customer deposits	-	1,625	1,625	1,700
Total Liabilities	3,097	32,246	35,343	55,222
Net Assets:				
Investment in capital assets	85,436	489,596	575,032	591,489
Restricted for customer deposits	-	1,723	1,723	1,371
Unrestricted (deficit)	79,012	(9,351)	69,661	2,981
Total Net Assets	\$ 164,448	\$ 481,968	\$646,416	\$ 595,841

Town of Killian
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2006

The Town's net assets increased by \$64,264 during the year. Unrestricted net assets increased by \$66,680 giving the Town a positive net asset balance at year end. The increase in net assets during the year is due to a reduction of expenses in the police department and an increased effort in the collection of property taxes and water billings during the year.

CHANGES IN NET ASSETS

	2006		2005
	Governmental Activities	Business-Type Activity	Total
Revenues:			
Program Revenues	\$ 76,373	\$ 63,436	\$ 139,809
General Revenues	<u>118,668</u>	<u>-</u>	<u>118,668</u>
Total Revenues	<u>195,041</u>	<u>63,436</u>	<u>258,477</u>
Program Expenses:			
General Government	130,777	-	130,777
Water Utility	<u>-</u>	<u>77,125</u>	<u>77,125</u>
Total Expenses	<u>130,777</u>	<u>77,125</u>	<u>207,902</u>
Changes in Net Assets	64,264	(13,689)	50,575
Net Assets Beginning	<u>100,184</u>	<u>495,657</u>	<u>595,841</u>
Net Assets Ending	<u>\$ 164,448</u>	<u>\$ 481,968</u>	<u>\$ 646,416</u>

CAPITAL ASSETS

At June 30, 2006, the town had \$575,032, net of depreciation, invested in a broad range of capital assets (see table below). This amount represents a net decrease (including additions and deductions) of \$12,879.

	Capital Assets (Net of Depreciation)		
	Governmental Activities	Business-Type Activity	Total
Land	\$ 49,200	\$ -	\$ 49,200
Buildings	50,250	-	50,250
Vehicles/Equipment	70,236	18,194	88,430
Water Utility/System	<u>-</u>	<u>661,235</u>	<u>661,235</u>
Total Cost Basis	169,686	679,429	849,115
Less Accumulated Depreciation	<u>84,250</u>	<u>189,833</u>	<u>274,083</u>
Total Capital Assets, Net	<u>\$ 85,436</u>	<u>\$ 489,596</u>	<u>\$ 575,032</u>

Town of Killian
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2006

This year's only addition was an improvement to the water system. The decreases represent reduction of net value due to depreciation.

DEBT

For the year ended June 30, 2006, the Town did not have any long-term debt.

VARIATIONS BETWEEN ORIGINAL BUDGET AND ACTUAL

Actual revenues were \$51,041 more than budgeted amounts due to unexpected grants and higher than expected property taxes and fines.

Actual expenditures were \$21,494 less than budgeted amounts mostly due to cutbacks in the police department and office expenses.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Town's elected and appointed officials considered the following factors and indicators when setting next year's budget, rates and fees. These factors and indicators include:

1. Property tax collections are improving.
2. Additional funds are needed for street repairs.

CONTACTING THE TOWN OF KILLIAN'S MANAGEMENT

The financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Carolyn Maloney, Town Clerk, P O Box 546, Springfield, La. 70462.

TOWN OF KILLIAN
STATEMENT OF NET ASSETS
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2006

Statement A

	Governmental Type Activities	Business Type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 65,454	\$ 5,817	\$ 71,271
Taxes receivable	9,973		9,973
Grants receivable			0
Accounts receivable, net		25,483	25,483
Interfund balances	6,682	(6,682)	0
Property and equipment, net	85,436	489,596	575,032
TOTAL ASSETS	\$ 167,545	\$ 514,214	\$ 681,759
LIABILITIES AND NET ASSETS			
<u>Liabilities</u>			
Accounts payable	\$ 3,097	\$ 4,135	\$ 7,232
Accrued payroll	0		0
Unearned revenue		26,486	26,486
Customer Deposits		1,625	1,625
Total Liabilities	3,097	32,246	35,343
<u>Net Assets</u>			
Invested in capital assets	85,436	489,596	575,032
Restricted for utility customer deposits		1,723	1,723
Unrestricted	79,012	(9,351)	69,661
Total Net Assets	164,448	481,968	646,416
TOTAL LIABILITIES AND NET ASSETS	\$ 167,545	\$ 514,214	\$ 681,759

See Accompanying Notes and Accountants' Report

TOWN OF KILLIAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

Statement B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
<u>GOVERNMENTAL ACTIVITIES</u>							
General Government	\$ 60,159	\$ -	\$	\$ -	\$ (60,159)	\$ -	\$ (60,159)
Police Protection	60,223	34,941	41,432	-	16,150	-	16,150
Streets	10,395	-	-	-	(10,395)	-	(10,395)
Total Governmental Activities	130,777	34,941	41,432	0	(54,404)	0	(54,404)
<u>BUSINESS-TYPE ACTIVITIES</u>							
Water System	77,125	63,436	-	-	-	(13,689)	(13,689)
Total Business-Type Activities	77,125	63,436	0	0	0	(13,689)	(13,689)
Total Primary Government	\$ 207,902	\$ 98,377	\$ 41,432	\$ 0	(54,404)	(13,689)	(68,093)
<u>GENERAL REVENUES</u>							
Property taxes					59,228	-	59,228
Licenses and permits					11,468	-	11,468
Franchise taxes					44,811	-	44,811
Other general revenue					3,161	-	3,161
Total General Revenues					118,668	0	118,668
CHANGE IN NET ASSETS					64,264	(13,689)	50,575
NET ASSETS AT BEGINNING OF YEAR					100,184	495,657	595,841
NET ASSETS AT END OF YEAR					\$ 164,448	\$ 481,968	\$ 646,416

See Accompanying Notes and Accountants' Report

TOWN OF KILLIAN
BALANCE SHEET
GOVERNMENTAL FUND - GENERAL FUND
JUNE 30, 2006

Statement C

ASSETS

Cash and cash equivalents	\$ 65,454
Taxes receivable	9,973
Grants receivable	0
Interfund receivable	<u>6,682</u>
TOTAL ASSETS	<u>\$ 82,109</u>

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$ 3,097
Accrued payroll	<u>0</u>
Total Liabilities	<u>3,097</u>

Fund Balance

Unreserved & Undesignated	<u>79,012</u>
Total Fund Balance	<u>79,012</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 82,109</u>

See Accompanying Notes and Accountants' Report

TOWN OF KILLIAN
 STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES -
 GOVERNMENTAL FUND TYPE - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2006

Statement D

REVENUES

Property taxes	\$ 59,228
Franchises taxes	44,811
Licenses and permits	11,468
Fines and forfeitures	34,941
Grants	41,432
Other	<u>3,161</u>
Total Revenues	<u>195,041</u>

EXPENDITURES

General government	57,679
Public safety	55,432
Streets	10,395
Capital outlay	<u>0</u>
Total Expenditures	<u>123,506</u>

EXCESS OF REVENUES OVER EXPENDITURES 71,535

FUND BALANCE AT BEGINNING OF YEAR 7,477

FUND BALANCE AT END OF YEAR \$ 79,012

See Accompanying Notes and Accountants' Report

TOWN OF KILLIAN
GOVERNMENTAL FUND TYPE - GENERAL FUND
RECONCILIATION OF FUND BALANCES AND
CHANGES IN FUND BALANCES TO NET ASSETS
AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2006

Statement E

	<u>Beginning Balance</u>	<u>Net Change</u>	<u>Ending Balance</u>
Fund Balance - Governmental Fund	\$ 7,477	\$ 71,535	\$ 79,012
Capital assets not reported in Governmental fund Reported on Statement of Net Assets net of accumulated depreciation:			
Beginning Balance	92,707		
Current year depreciation not reported in Governmental fund, reported in Statement of activities		(7,271)	
Current year capital outlays expensed in Governmental fund, not in statement of activities			
Ending Balance			85,436
Net Assets of Governmental Activities	<u>\$ 100,184</u>	<u>\$ 64,264</u>	<u>\$ 164,448</u>

See Accompanying Notes and Accountants' Report

TOWN OF KILLIAN
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2006

Statement F

ASSETS

Current Assets

Cash and cash equivalents	\$ 4,094
Accounts receivable, net	25,483
Restricted cash - utility customer deposits	<u>1,723</u>
Total Current Assets	31,300
Property and Equipment, Net	<u>489,596</u>
TOTAL ASSETS	<u>\$ 520,896</u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 4,135
Interfund payable	6,682
Unearned revenue	26,486
Utility customer deposits (payable from restricted assets)	<u>1,625</u>
Total Current Liabilities	<u>38,928</u>

Net Assets

Invested in capital assets, net of related debt	489,596
Restricted for utility customer deposits	1,723
Unrestricted	<u>(9,351)</u>
Total Net Assets	<u>481,968</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 520,896</u>

See Accompanying Notes and Accountants' Report

TOWN OF KILLIAN
 STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN NET ASSETS -
 PROPRIETARY FUND TYPE
 FOR THE YEAR ENDED JUNE 30, 2006

Statement G

OPERATING REVENUES

Water sales	\$ 57,360
Other income	<u>6,076</u>
Total Operating Revenues	<u>63,436</u>

OPERATING EXPENSES

Advertising	114
Bad debt	7,622
Chemicals	4,049
Contract labor	23,798
Depreciation	25,627
Insurance	3,460
Office supplies	440
Repairs and maintenance	7,197
Utilities	<u>4,818</u>
Total Operating Expenses	<u>77,125</u>

NET OPERATING INCOME (LOSS) (13,689)

BEGINNING NET ASSETS 495,657

ENDING NET ASSETS \$ 481,968

See Accompanying Notes and Accountants' Report

TOWN OF KILLIAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2006

Statement H

Cash Flows from Operating Activities

Receipts from customers	\$ 50,908
Receipts from general fund	5,100
Payments to suppliers	(41,405)
Refunds of customer deposits	(75)
Net Cash Provided by Operating Activities	<u>14,528</u>

Cash Flows from Capital and Related Financing Activities

Purchases of Capital Assets	<u>(16,441)</u>
Net Cash Utilized by Capital and Related Financing Activities	<u>(16,441)</u>

NET INCREASE (DECREASE) IN CASH (1,913)

CASH AT BEGINNING OF YEAR 7,730

CASH AT END OF YEAR \$ 5,817

Reconciliation to Statement of Net Assets

Cash and Cash Equivalents	\$ 4,094
Restricted Cash	<u>1,723</u>
Total Cash	<u>\$ 5,817</u>

Reconciliation of Net Operating Loss to Net Cash Provided by Operating Activities

Operating Loss	\$ (13,689)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	25,627
Increase in accounts receivable	(2,016)
Increase in accounts payable	2,471
Increase in interfund payable	5,100
Decrease in unearned revenue	(2,890)
Decrease in utility customer deposits	<u>(75)</u>
Net Cash Provided by Operating Activities	<u>\$ 14,528</u>

See Accompanying Notes and Accountants' Report

INTRODUCTION

The Town of Killian (the Town) was incorporated as a village in 1968, under the provisions of the "Lawrason Act" (Louisiana Revised Statutes (R.S.) 33:321-481) of the constitution of the State of Louisiana. By Proclamation No. 67 MJF 2001, issued by the state, the village became a town on November 16, 2001. The Town is located in the Parish of Livingston and has a population of 1,053. The Town operates under a Board of Aldermen – Mayor form of government and, as permitted under the act, provides police protection; road, streets, and sidewalks; sponsorship of federal and state supported programs; water utilities; and other necessary public services.

The accounting and reporting policies of the Town of Killian conform to generally accepted accounting principles as applicable of governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:513 and to the guides set forth in the Louisiana Municipal Audit and Accounting Guide, and to the industry audit guide, Audits of State of Local Governmental Units.

A. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

Reporting Entity and Reporting Model

Governmental Accounting Standards board (GASB) Statement No. 14 established criteria for Determining the identification of a primary government unit for financial reporting purposes. The GASB has set forth criteria to be considered in determining which governmental entities are primary governments. An entity is a primary governmental if it satisfies all of the following criteria:

- The entity has a separate governing body elected by the citizenry in a general, popular election.
- The entity is legally separate from other entities.
- The entity is fiscally independent of other state and local governmental entities.

Based on the above criteria the Town has determined that the Town of Killian, Louisiana, is a primary government and financial reporting entity in accordance with GASB Statement No. 14. The Town has also determined that there are no component units that should be considered part of the Town for financial reporting purposes.

GASB Statement No. 34 establishes new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual financial reports easier to understand and more useful to the people who use governmental financial information to make decisions.

Town of Killian
Notes to the Financial Statements
As of and for the Year Ended June 30, 2006

Management's Discussion and Analysis- GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "Management's Discussion and Analysis" (MD&A). This analysis is similar to analysis the private sector provides in their annual reports.

Government-Wide Financial Statements – The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable), but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligations debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter.

Statement of Net Assets – The Statement of Net Assets is designed to display the financial position of the primary government (government and business-type activities). Governments will report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and will report depreciation expense – the cost of "using up" capital assets – in the Statement of Activities. The net assets of a government will be broken down into three categories –1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

However, as a Phase 3 government, the Town has elected not to report major general infrastructure assets retroactively.

Statement of Activities – The new government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

Budgetary Comparison Schedules – Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial process of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the new reporting model, governments will continue to provide budgetary comparison information in their annual reports. An important change, however, is a requirement to add the government's original budget to the current comparison of final budget and actual results.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on a significant extent on fees and charges for support.

Town of Killian
Notes to the Financial Statements
As of and for the Year Ended June 30, 2006

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. The focus of governmental and proprietary fund financial statements is on "major" funds. Fund statements present in separate columns the General Fund followed by major funds. The new model (GASB Statement 34) sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of either fund category or the governmental and enterprise funds combined) for the determination of major funds. In addition to the funds that meet the major fund criteria, any other governmental or enterprise fund that the government's officials believe is particularly important to financial statement users may be reported as a major fund.

The Town has two funds: The General fund and the Waterworks Enterprise Fund. Both are considered major funds under the above criteria.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by government.

Town of Killian
Notes to the Financial Statements
As of and for the Year Ended June 30, 2006

The Town reports the following governmental fund:

The General Fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in other funds.

The Town reports the following proprietary fund:

The Enterprise Fund accounts for operations (a) that are financed and operated in a manner similar to private business enterprise where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Town maintains one enterprise fund, the Waterworks Fund, which provides water services.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of inter fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule, if applicable, are payments-in-lieu of taxes and other charges between the government's enterprise operations. Elimination of these charges would distort the direct costs and programs revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are user charges for the services provided by the enterprise fund. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non operating revenues and expenses.

With both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

Town of Killian
Notes to the Financial Statements
As of and for the Year Ended June 30, 2006

Budgets

The Louisiana Local Government Budget Act and the Lawrason Act requires the Town to adopt an annual budget for its governmental fund. The Town adopted a budget at its monthly meeting on June 15, 2005. The budget was amended at a meeting on June 13, 2006.

Cash and Cash Equivalents

Cash includes amounts in demand deposit accounts. Under state law, the Town may deposit funds in demand deposits, interest-bearing demand deposits, and money market or time deposit accounts with state banks organized under Louisiana laws and national banks having their principal offices in Louisiana.

Under state law, the Town may also invest in U. S. Government bonds, notes, or certificates. Those with maturities of 90 days or less would be classified as cash equivalents and all other reported as investments.

Receivables

Receivables are shown net of an allowance for uncollectibles. Uncollectible amounts due for water charges are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivables.

Short-term inter Fund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as due from other funds or due to other funds on the balance sheet. Short-term inter fund loans are classified in inter fund receivables/payables.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. As a Phase 3 government, the Town has elected not to report major infrastructure assets retroactively. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Town of Killian
Notes to the Financial Statements
As of and for the Year Ended June 30, 2006

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

All capital assets, other than land, are depreciated using the straight-line basis over the following useful lives:

Buildings	40 Years
Vehicles and Equipment	5 Years
Water Utility System	15 - 40 Years

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent management plans that are subject to change.

Ad Valorem Taxes

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes were levied by the Town in November and billed to the taxpayers in December. Billed taxes become delinquent on January 1 of the following year.

The Town bills and collects its own property taxes using the assessed values determined by the tax assessor of Livingston Parish.

Estimates

The preparation of financial statements in conformance with generally accepted accounting principles requires management to make estimates and assumptions that affect the recorded amount of the assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the report period. Actual results could differ from those estimates.

B. CASH

At June 30, 2006, the Town had cash (book balances) of \$71,271 in interest bearing demand deposits (including \$1,723 of restricted cash).

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. The bank balances of \$76,803 at June 30, 2006, are secured from risk by federal deposit insurance (GASB Risk Category 1).

Town of Killian
Notes to the Financial Statements
As of and for the Year Ended June 30, 2006

C. RECEIVABLES

Receivables at June 30, 2006, consist of the following:

<u>Class of Receivables</u>	<u>General</u>	<u>Enterprise</u>	<u>Total</u>
Taxes-			
Franchise	\$ 9,877	\$ -	\$ 9,877
Ad valorem	96	-	96
Accounts -			
Water	-	84,396	84,396
Less: Allowance for			
Uncollectibles	-	(58,913)	(58,913)
Totals	<u>\$ 9,973</u>	<u>\$ 25,483</u>	<u>\$ 35,456</u>

D. LEVIED TAXES

For the year ended June 30, 2006, taxes of 7.0 mills were levied on property with assessed valuations totaling \$7,174,142 with a total tax levy of \$50,219.

E. CAPITAL ASSETS

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2006:

<u>Governmental Activities:</u>	<u>Balance</u> <u>June 30,</u> <u>2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30,</u> <u>2006</u>
Capital Assets Not Being Depreciated				
Land	<u>\$ 49,200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,200</u>
Other Capital Assets:				
Buildings	50,250	-	-	50,250
Vehicles and Equipment	<u>70,236</u>	-	-	<u>70,236</u>
Total Other Capital Assets	120,486	-	-	120,486
Less: Accumulated Depreciation	<u>76,979</u>	<u>7,271</u>	-	<u>84,250</u>
Other Capital Assets, Net	<u>43,507</u>	<u>7,271</u>	-	<u>36,236</u>
Total Governmental Activities				
Capital Assets, Net	<u>\$ 92,707</u>	<u>\$ 7,271</u>	<u>\$ -</u>	<u>\$ 85,436</u>

Depreciation was charged to governmental functions as follows:

General administration	\$ 2,480
Police protection	<u>4,791</u>
	<u>\$ 7,271</u>

Town of Killian
Notes to the Financial Statements
As of and for the Year Ended June 30, 2006

A summary of changes in proprietary property, plant, and equipment for the year ended June 30, 2006, follows:

	June 30, 2005	Increases	Decreases	June 30, 2006
Utility Equipment	\$ 17,136	\$ -	-	\$ 17,136
Water System	644,794	16,441	-	661,235
Office Equipment	<u>1,058</u>	<u>-</u>	<u>-</u>	<u>1,058</u>
Sub-total	662,988	16,441	-	679,429
Less: accumulated depreciation	<u>(164,206)</u>	<u>(25,627)</u>	<u>-</u>	<u>(189,833)</u>
Net	<u>\$ 498,782</u>	<u>\$ (9,186)</u>	<u>\$ -</u>	<u>\$ 489,596</u>

Depreciation expense of the proprietary fund was \$25,627.

F. RETIREMENT SYSTEM

Employees of the Town are members of the social security system. In addition to employee payroll deductions, Town funds are remitted to match the employees contributions. Aggregate contributions to the social security system for the year ended June 30, 2006, were \$9,654 of which \$4,827 was contributed by the Town.

G. INTERFUND RECEIVABLES/PAYABLE

Amounts due to or from other funds at June 30, 2006, consisted of the following:

	Interfund Receivables	Interfund Payables
General Fund	\$ 6,682	\$ -
Enterprise Fund – Waterworks Fund	<u>-</u>	<u>6,682</u>
Total	<u>\$ 6,682</u>	<u>\$ 6,682</u>

H. UNEARNED REVENUE

Unearned revenue represents the amount of advanced utility billings for water services. The billing that takes place at the end of June is for July through December services.

**I. COMPENSATION PAID MAYOR, CHIEF OF POLICE
AND BOARD OF ALDERMEN**

The amount paid to the Chief of Police, Lloyd Wild, for compensation for the year ended June 30, 2006 was \$23,737. This includes \$3,600 supplemental pay received from the Livingston Parish Sheriff's office.

No compensation was paid to the Mayor or members of the Board of Aldermen.

J. RISK MANAGEMENT

The Town of Killian is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town attempts to minimize risk from significant losses through the purchase of commercial insurance.

REQUIRED SUPPLEMENTARY INFORMATION
(PART II)

TOWN OF KILLIAN
STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET (GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006

Schedule 1

	Original Budget	Final Budget	Actual	Variance- Favorable (Unfavorable)
<u>REVENUES</u>				
Property taxes	\$ 44,000	\$ 44,000	\$ 59,228	\$ 15,228
Franchise taxes	41,100	41,100	44,811	3,711
Licenses and permits	6,200	6,200	11,468	5,268
Fines and forfeitures	23,500	23,500	34,941	11,441
Grants	3,600	24,150	41,432	17,282
Other	5,050	5,050	3,161	(1,889)
Total Revenues	<u>123,450</u>	<u>144,000</u>	<u>195,041</u>	<u>51,041</u>
<u>EXPENDITURES</u>				
General government	70,550	70,550	57,679	12,871
Public safety	43,900	64,450	55,432	9,018
Streets	10,000	10,000	10,395	(395)
Capital Outlay			0	0
Total Expenditures	<u>124,450</u>	<u>145,000</u>	<u>123,506</u>	<u>21,494</u>
EXCESS OF REVENUES OVER EXPENDITURES	(1,000)	(1,000)	71,535	72,535
FUND BALANCE AT BEGINNING OF YEAR	<u>7,477</u>	<u>7,477</u>	<u>7,477</u>	
FUND BALANCE AT END OF YEAR	<u>\$ 6,477</u>	<u>\$ 6,477</u>	<u>\$ 79,012</u>	<u>\$ 72,535</u>

See Accountants' Report

TOWN OF SPRINGFIELD
SCHEDULE OF PER DIEM PAYMENTS
FOR THE YEAR ENDED JUNE 30, 2006

Schedule 2

The schedule of compensation paid board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature.

	<u>Total Salaries and Fees Received</u>
Kathleen Abels, Mayor	\$ 0
James Jay Prather, Alderman	0
Larry Laborde, Alderman	0
Dean Sharp, Alderman	0
David Meissner, Alderman	0
Paul Canik, Alderman	0
Lloyd Wild, Chief of Police	<u>23,737</u>
	<u>\$ 23,737</u>

See Accountants' Report

**INDEPENDENT ACCOUNTANTS REPORT
ON APPLYING AGREED-UPON PROCEDURE**

November 2, 2006

The Honorable Mayor Kathleen Abels
And Members of the Board of Aldermen
Town of Killian, Louisiana

We have performed the procedures included in the Louisiana Governmental Audit guide and enumerated below, which were agreed to by the management of the Town of Killian, and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about the Town of Killian's compliance with certain laws and regulations during the year ended June 30, 2006, included in the accompanying Louisiana Attestation Questionnaire and the additional agreed-upon procedures as required by the Legislative Auditor, State of Louisiana for the fiscal year ended June 30, 2006. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Public Bid Law

1. Select all expenditures made during the year for material and supplies exceeding \$20,000 or public works exceeding \$100,000 and determine whether such purchases were made in accordance with LSA-RS 38:2211-2251 (the public bid law).

There were no expenditures made during the year that were subject to public bid law.

Code of Ethics for Public Officials and Public Employees

2. Obtain from management a list of the immediate family members of each board members as defined by LSA-RS 42-1101-1124 (the code of ethics), and a list of outside business interests of all board members and employees, as well as their immediate families.

Management provided me with the required list including the noted information

3. Obtain from management a listing of all employees paid during the period under examination.

Management provided me with the required list.

4. Determine whether any of those employees included in the listing obtained from management in agreed-upon procedure (3) were also included on the listing obtained from management in agreed-upon procedure (2) as immediate family members.

The Town did not have any employees who were family members of the board.

Budgeting

5. Obtained a copy of the legally adopted budget and all amendments.

Management provided me with a copy of the budget and all amendments.

6. Trace the budget adoption and amendments to the minute book.

I traced the adoption of the original budget to the minutes of a meeting held June 15, 2005 and the amendments to a meeting held on June 13, 2006.

7. Compare the revenues and expenditures of the final budget to actual revenues and expenditures to determine if actual revenues failed to meet budgeted revenues by 5% or more or if actual expenditures exceed budgeted amounts by more than 5%.

I compared the revenues and expenditures of the final budget to actual revenues and expenditures. Actual revenues and expenditures did not exceed budgeted amounts by more than 5%.

Accounting and Reporting

8. Randomly select 6 disbursements made during the period under examination and :

- (a) trace payments to supporting documentation as to proper amount and payee:

We examined supporting documentation for each of the six selected disbursements and found that payment was for the proper amount and made to the correct payee.

- (b) determine if payments were properly coded to the correct fund and general ledger account; and

All of the payments were properly coded to the correct fund and general ledger account.

- (c) determine whether payments received approval from proper authorities.

Supporting documentation for all six payments contain the mayor's approval.

Meetings

9. Examine evidence indicating that agendas for meetings recorded in the minute book were posted or advertised as required by LSA-RS 42:1 through 42:12 (the open meetings law).

The Town is required to post a notice of each meeting and the accompanying agenda on the door of the Town Hall. I examined documentation that such notices were posted.

Debt

10. Examine bank deposits for the period under examination and determine whether any such deposits appear to be proceeds of bank loans, bonds, or like indebtedness.

We inspected copies of all bank deposit slips for the period under examination and noted no deposits which appeared to be proceeds of bank loans, bonds, or like indebtedness.

Advances and Bonuses

11. Examine payroll records and minutes for the year to determine whether any payments have been made to employees which may constitute bonuses, advances, or gifts.

A reading of the minutes of the Town for the year indicated no approval for payments which may constitute bonuses, advances, or gifts. We also inspected payroll records for the year and noted no instances which would indicate payments to employees which would constitute bonuses, advances or gifts.

Additional Procedures are Required by the Legislative Auditor

12. Test compliance with laws and regulations which have been a problem with the Town's previous audits.
(Referred to below as Compliance.)
13. Review the control problem the Town has faced in prior audits.
(Referred to below as Control.)

A. Lack of Segregation of Duties
(Control)

The limited size of the Town precludes an adequate segregation of duties and other features of an adequate system of internal control, and to employ such controls may not be cost beneficial or possible with the Town's limited budget.

**B. Compensation of Municipal Officers
(Compliance)**

The Town properly fixed by ordinance the compensation of the Chief of Police and Clerk.

**C. Inadequate Controls Over Water Receivables
(Control)**

The Town now has complete billing and accounts receivable records and is now disconnecting water service for customers who do not pay their bill.

**D. Inadequate Controls Over Ad Valorem Taxes
(Compliance/Control)**

The Town has compiled a complete list of old balances outstanding and held a tax sale on June 20, 2006.

I was not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, I do not express such an opinion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

This report is intended solely for the use of the board of Aldermen, and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Respectively submitted,

Dean and Dean, CPA's

LOUISIANA ATTESTATION QUESTIONNAIRE
(For Attestation Engagements of Government)

November 2, 2006

Dean and Dean, CPAS

11909 Bricksome Ave., Suite W1

Baton Rouge, Louisiana 70816

(Auditors)

In connection with your review of our financial statements as of June 30, 2006 and for the year then ended, and as required by Louisiana Revised Statute 24:513 and the *Louisiana Governmental Audit Guide*, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulations and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on the information available to us as of November 2, 2006.

Public Bid Law

It is true that we have complied with the public bid law, LSA-RS Title 38:2212, and, where applicable, the regulations of the Division of Administration, State Purchasing Office..

Yes ☒ No ☐

Code of Ethics for Public Officials and Public Employees

It is true that no employees or officials have accepted anything of value, whether in the form of a service, loan, or promise, from anyone that would constitute a violation of LSA-RS 42:1101-1124.

Yes ☒ No ☐

It is true that no member of the immediate family of any member of the governing authority, or the chief executive of the governmental entity, has been employed by the governmental entity after April 1, 1980, under circumstances that would constitute a violation of LSA-RS 42:1119.

Yes ☒ No ☐

Budgeting

We have complied with the state budgeting requirements of the Local Government Budget Act (LSA-RS 39:1301-14) or the budget requirements of LSA-RS 39:34.

Yes ☒ No ☐

Accounting and Reporting

All non-exempt governmental records are available as a public record and have been retained for at least three years, as required by LSA-RS 44:1, 44:7, 44:31, and 44:36.

Yes ☒ No ☐

We have filed our annual financial statements in accordance with LSA-RS 24:514, 33:463, and/or 39:92, as applicable.

Yes ☐ No ☐ n/a

We have had our financial statements audited or compiled in accordance with LSA-RS 24:513.
Yes ☒ No ☐

Meetings

We have complied with the provisions of the Open Meetings Law, provided in RS 42:1 through 42:12.
Yes ☒ No ☐

Debt

It is true we have not incurred any indebtedness, other than credit for 90 days or less to make purchases in the ordinary course of administration, nor have we entered into any lease-purchase agreements, without the approval of the State Bond Commission, as provided by Article VII, Section 8 of the 1974 Louisiana Constitution, Article VI, Section 33 of the 1974 Louisiana Constitution, and LSA-RS 39:1410.60-1410.65.
Yes ☒ No ☐

Advances and Bonuses

It is true we have not advanced wages or salaries to employees or paid bonuses in violation of Article VII, Section 14 of the 1974 Louisiana Constitution, LSA-RS 14:138, and AG opinion 79-729.
Yes ☒ No ☐

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations. We have made available to you documentation relating to the foregoing laws and regulations.

We have provided you with any communications from regulatory agencies or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of this report. We acknowledge our responsibility to disclose to you any known noncompliance which may occur subsequent to the issuance of your report.

Carolyn Massey Clerk November 2, 2006 Date
Kathleen Chels Mayor November 2, 2006 Date

TOWN OF KILLIAN
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006

FINDING		STATUS
2005-12/13a	Lack of segregation of duties.	Unresolved.
2005-12/13d	Compensation of Municipal Officers.	Resolved.
2005-12/13f	Inadequate control over water receivables.	Resolved.
2005-12/13g	Inadequate control over Ad Valorem Taxes.	Resolved.

TOWN OF KILLIAN
MANAGEMENT'S CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2006

AGREED- UPON PROCEDURE NO.	DESCRIPTION OF FINDING	CORRECTIVE ACTION PLANED
12/13 A	Inadequate Segregation of Duties.	Due to the limited size of the Town's budget, it is neither financially possible nor cost effective to hire additional staff to segregate incompatible functions.